DANIEL L. STICKLER

passages that were not pointed out by Mr. Teruya.

Are you at Exhibit G to Exhibit 1559?

A. Yes.

Q. And once again you understand this to be part of a representation made to the bankruptcy judge in Pennsylvania; is that right?

A. That's my understanding.

Q. It starts out -- are you on the page that says Background, where it says Record of Engagement with Allegheny Health, Education and Research Financial, Background, and then it says "Report of Mr. David Hunter, founder of The Hunter Group."

This report begins by saying "The Hunter Group is a consulting firm which for the ten years of its history has specialized in the health care industry. Our firm's mainstay service is working with troubled hospitals, usually in a turnaround mode."

Is that, to your understanding, an accurate description of The Hunter Group's mainstay service?

A. I think so, yes.

DANIEL L. STICKLER

Q. Continuing on the third sentence, "We do this sometimes by supplying key management executives to run our clients' businesses for interim periods until operations stabilized and other times by using consulting teams over shorter periods to determine where our clients' expenses could be reduced or where revenues could be increased. On occasion, such as with AHERF, both approaches of interim managers and consulting teams are used."

Is that an accurate summary of --

A. I think so.

Q. The last sentence here on this page says, "Our specific accomplishments are recapped on the following pages." And the following pages were discussed -- you testified about some of them with Kevin, with Mr. Teruya.

Let's take a look at the next page, Task 1, Cash Management and Conservation Plan. Before listing ten specific accomplishments, it reads "This task was structured so as to identify broadly what actions might be taken to avoid bankruptcy. The parameter of this task began to change when it became apparent that bankruptcy

DANIEL L. STICKLER

protection was an unavoidable option."

Is this an accurate description of the cash management and conservation plan?

A. I think so, yes.

Q. This page then says "Specific accomplishments included," and it lists ten, on that page, ten accomplishments. Do you see what I'm referring to?

A. Yes.

Q. Take a look, please, at specific accomplishment number 9. It says here, "Identified 'management intervention' actions which would have reduced expenses or otherwise increased revenues or cash flow. Developed preliminary timetables and calculated results for as many as 80 distinct interventions, totaling \$80 million in cash flow improvement."

Is this consistent with your recollection about the development of distinct interventions that AHERF could have followed?

A. I think this refers to the thing that I had referred to earlier of a 30,000-foot level plan that we felt could be implemented rapidly if we had enough money to get us through that time

DANIEL L. STICKLER

period. My recollection was that the number was less than this, but my memory is not very good on that, so I would be more inclined to rely on the number in the report.

Q. When Hunter Group made reports for, say, University of Pennsylvania, would the number of management interventions have been about 80, or was it higher or lower?

A. The number -- there's a difference between the 30,000-foot plan and the comprehensive plan developed over a long period of time with a team of 16 or 18 people. And, as I indicated, the plan at the University of Pennsylvania was a comprehensive plan, and the total recommendations were probably three or four or five hundred or something in that -- I don't even know what the number is.

Q. So the 80 distinct interventions described here would have been as part of that 30,000-foot plan?

A. Yes, sir, that's my understanding.

Q. So are you testifying, then, that had you had the opportunity to develop a full plan, there likely would have been additional

Page 312

DANIEL L. STICKLER

interventions identified?

MR. TERUYA: Objection.

A. I would assume so, yes.

Q. What does the expression "management intervention" mean?

A. Things that management can do that would save money.

Q. Let's look up the page to specific accomplishment number 4, "Interviewed all regional AHERF financial managers and key analysts as to their duties and perspectives," and 5 similarly says, "Interviewed AHERF regional operating managers as to their duties and perspectives."

In any of these discussions with the AHERF financial managers or regional operating managers, did you discuss the audited financial statements of AHERF?

A. I would not have conducted the review -- the interviews with the financial managers. That would have been the finance team that would have done that. So I can't answer that question.

I would have been the person

Page 313

DANIEL L. STICKLER

conducting the operating manager review, with the exception of those in the physician management area.

I don't recall having discussed the audited financial statements as part of any review that I was part of.

Q. Number 6 says, the sixth specific accomplishment says, "Reviewed compensation and benefit policies and rates. Retained outside research firm to develop comparative salary structure for similar size and similar volume organizations."

Do you recall who was this outside research firm that Hunter --

A. I don't recall that, no.

Q. And do you recall what conclusions might have been reached about compensation and benefits?

A. I think it was our general conclusion, at least it was my general conclusion that the AHERF organization was paying in the higher end of the range of compensation for executives, higher than most of the organizations of a similar size.

Page 314

DANIEL L. STICKLER

Q. Are you referring -- I'm sorry, I interrupted you.

A. No. I said higher than most other organizations of a similar size and type.

Q. Are you referring to executives at the hospital level or at the corporate AHERF level?

A. I don't recall having reviewed those at the corporate AHERF level, so I would have been reviewing in the Philadelphia area.

Q. So the executives who were actually line managers at the hospitals, or line executives at the hospitals?

A. And the medical schools.

Q. Going back to number 9, which is the 80 distinct management interventions totaling $80 million in cash flow improvement, are there any particular management interventions that stand out in your mind now, five years later?

A. That list that's later in this document refreshed my memory on some of the items, but I don't -- nothing else stands out in my mind.

Q. The tenth thing here says, the tenth

Page 315

DANIEL L. STICKLER

specific accomplishment says, "Began cash flow modeling exercises. Coordinated with and transferred work products to another firm (PriceWaterhouseCoopers) who were retained for purpose of developing cash flow projections and negotiating with interim lenders."

Did you have any role in this specific accomplishment of cash flow modeling?

A. I did not, no.

Q. Who would have been -- who at Hunter Group was involved in this task? Tom Honan?

A. I suspect it would have been Tom Honan. I think he was the only -- or Alan Dzija. Alan Dzija was a finance guy, too. It might have been him.

Q. Did you yourself interact with anyone from PriceWaterhouseCoopers about the cash flow modeling?

A. I don't recall having done so.

Q. Did you interact with anyone from PriceWaterhouseCoopers about anything dealing with AHERF?

A. I don't recall having done so.

Q. Did anyone at Hunter Group ever tell

DANIEL L. STICKLER
you that PriceWaterhouseCoopers reached any different point of view about the desirability or need to file for bankruptcy?
MR. TERUYA: Objection.
A. I don't recall having been told their opinion on that subject.
Q. Let's turn the page to Task -- the next page refers to Task 1.a, "Initiating Discussions with Partners." And the text, the descriptive text, says, "It quickly became apparent that some form of merger alliance, strategic partnership, or outright sale of some or all operations might be necessary."
Was that true, that it quickly became apparent?
A. That's my opinion, yes.
Q. And why was that?
A. The debt problem and the access to capital problems. We could not ascertain a way that we could see that organization getting out of its financial difficulties without an infusion, major infusion of capital or major loans.
Q. The next sentence here says, "The

DANIEL L. STICKLER
cash management and conservation plan included establishing initial contacts with possible merger, affiliation, or acquisition partners." And then there is a colon, and it has 11 activities listed below.
Can you, in your own words, describe what The Hunter Group did to establish initial contacts with possible merger, affiliation or acquisition partners?
A. My recollection was that we brainstormed to develop a potential -- well, you need to understand there was not an investment banker on board at that point in time, so we did what I think an investment banker would have done, and that is we brainstormed as to who might have a potential interest in becoming a strategic partner or acquirer of the organization, or pieces of it, and then tried to determine was there a person that had a personal contact at that organization that could make a confidential inquiry, and then, to the extent that we were able to identify that possibility, would initiate those inquiries.
Q. Number 10 here says "When

DANIEL L. STICKLER
responsibilities for these areas were formally transferred to investment banking firms (Merrill Lynch and Lehman Brothers), briefed firm's representatives on progress made and issues identified."
Were you one of those who briefed Merrill Lynch and Lehman Brothers?
A. Yes.
Q. And how did you brief them?
A. They sat in on a large number of, if not all of, our top hierarchy meetings in which we talked about the actions that we were taking and the difficulties that we were having, and it was more through that process than through the formal briefing process.
Q. Who was it from Merrill Lynch who would have attended those meetings? Was her name Lorrie Warner?
A. Lorrie Warner, yes, sir.
Q. How about from Lehman Brothers, who attended the meetings?
A. It was Anne Morse, if I remember right, was her name, and there was a gentleman, a tall thin gentleman, whose name I can't recall.

DANIEL L. STICKLER
Q. In point 11 here it says "Noted at time of transfer of responsibilities that active 'suitors' were Jefferson System, Vanguard, HealthSouth, Tenet, Temple, Children's Hospital, Catholic Health East, Catholic Health Initiatives, Memorial Hospital (NJ)," as in New Jersey.
First of all, this reference to time of transfer of responsibilities refers to the transfer of responsibilities to the investment bankers?
A. Yes, sir.
Q. And what is meant here by the expression "suitors"?
A. Well, that's -- I probably would not have selected that word but would have indicated organizations that expressed a potential interest and asked to review documents or to learn more in the process.
Q. Let me turn your attention to the next page, which references Task 2.1, "Interim Executive: Chief Operating Officer." I take it this is a reference to you?
A. I assume so, yes, sir.

Page 320

DANIEL L. STICKLER

Q. And you see that there are 12, on this page 12, and on the next page an additional up to 23 different tasks that the chief operating officer did?

A. Yes.

Q. Let's take a look at number 1. It says, "Generally, responsibilities consisted of managing operations of nine hospitals encompassing an average daily census of approximately 1,200, a 3,000 student university (including 1,000 medical students), a 350 physician medical practice, and a regional administrative support unit."

Does that describe generally what your responsibilities were in the function of interim COO?

A. Yes, sir.

Q. The second point here says, "Reduced operating expenses by approximately $34.7 million and capital expenditures by $10 million."

A. Yes, sir.

Q. Does this, to your understanding, refer to the last page of Exhibit G that Mr. Teruya had pointed out to you previously?

Page 321

DANIEL L. STICKLER

A. That would be my assumption, yes.

Q. How does this 34.7 million in reduced operating expenses and $10 million reduction in capital expenditures relate to the $80 million described two pages earlier that could result from distinct management interventions?

MR. TERUYA: Objection.

A. Well, the 80 million, as I understand it, was this 30,000-foot level list of things that could be done if we had enough time to do them, to try to turn around the organization, and the 34 million is a description of what we did do during this phase-down and turnover of the organization.

Q. The 80 million that's referenced here in point 9 under the cash management and conservation plan, that describes $80 million in cash flow improvement; right?

A. Yes. My understanding, yes.

Q. And the 34.7 million is in reduced operating expenses, with another 10 million capital expenditures. So is it your understanding that 34.7 million is part of that 80 million or is in addition to that 80 million,

Page 322

DANIEL L. STICKLER

or do you not really recall?

MR. TERUYA: Objection.

A. Pieces of it may have been part of the 80 million, but, as I described earlier, our focus changed completely from one of turnaround to one of preparing for turnover of the organization.

Q. So the 80 million in identified management interventions was part of the 30,000-foot turnaround plan?

A. Turnaround plan, yes.

Q. And the 34.7 million in improved operating reflects actions that you took in the period leading up to the sale of the hospitals?

A. Yes.

Q. Take a look under Task 2.1, COO, at point number 8 here. "Provided general management oversights to FY99 budget process for university. Developed Medical School Model Plan encompassing separate Medical Faculty Practice Plan and School of Medicine downsizing."

A. Yes.

Q. What do these two sentences refer to?

A. I don't know how to -- let me think

Page 323

DANIEL L. STICKLER

of how to describe it more specifically, more elaborately.

We developed a budget for the coming year for the medical school that was based on the assumption that the medical school would continue to exist, and what we thought could be the minimal operating cost, and what we thought could be done revenuewise to minimize the burden of that medical school on whatever organization ended up with that responsibility in the future. And the development of the medical school practice plan was a recommendation relative to how the faculty, the medical practice of the faculty, should be reorganized to place incentives in place with faculties practice to provide greater accountability for the leadership, to shed activities that we felt needed to be shed, et cetera.

The medical school downsizing -- both of those were part of the budget process for the university. The medical school downsizing, that proposed fiscal year '99 budget, was based on how much could we cut if we cut to the bare bones in that medical school and downsized it

DANIEL L. STICKLER

that was still being paid a significant salary sometime after he ceased serving that role, that I would have had some serious concerns about had I been the CEO.

Q. What was that person's name?

A. I knew you were going to ask me that. I can't think of it. That's one example that comes to my mind.

Q. Was that person being paid while you were there?

A. Until we found it and stopped it, yes.

Q. Have you ever heard of the name Carol Talbert?

A. I have, yes.

Q. And in what capacity have you heard of the name Carol Talbert?

A. She was on the corporate staff at one point in time. I don't think she was still there when I got there. She had -- I don't even remember exactly what -- I can't think exactly what her responsibilities were, whether it was physician practice acquisition or management of physician practices. I can't remember what her

DANIEL L. STICKLER

responsibilities had been.

Q. Did you ever hear anything about the circumstances of her separation from AHERF?

A. No, I don't recall having heard that. I heard rumors surrounding her name, but those were all very much hearsay and history, and I don't think something that I could quote.

Q. Did you ever hear that she received a $1.6 million settlement to depart AHERF?

A. I don't think I ever heard that, no. I don't think so.

Q. Did you ever hear that she got a consulting contract that paid her $300,000, but that she didn't provide any services in exchange for that contract?

MR. TERUYA: Objection.

A. I don't think so. I assume those things all had happened prior to my arrival there, and, to be honest with you, I wouldn't have paid any attention to them if I had heard them if they were history.

Q. What were the rumors surrounding the name Carol Talbert that you referred to a few minutes ago?

DANIEL L. STICKLER

A. Relative to potential personal relationships.

Q. That she was having affairs? Did you hear rumors that she was having an affair with someone else within AHERF?

A. I heard rumors that she had a close personal relationship with someone else within AHERF.

Q. Okay, we will leave it at that. It's already on the record.

Have you ever heard the name Iqbal Paroo?

A. I have, yes.

Q. In what capacity?

A. He was the president of AUHS prior to AHERF acquiring -- he was president of Hahnemann, I guess, prior to AHERF acquiring AUHS, and I think he remained in that role for some time period after they acquired it. I'm not certain.

Q. Did you ever learn or hear anything about the circumstances surrounding of Mr. Paroo's departure from AHERF?

A. No, I did not.

Q. Did you ever hear that he was paid a

DANIEL L. STICKLER

settlement payment for $3 million to release a claim for intentional infliction emotional distress?

A. No, I did not.

Q. Did you ever have any conversations with trustees of AHERF where they indicated that they had known all along that AHERF's financial condition was far worse than the audited financial statements indicated?

MR. TERUYA: Objection.

A. I don't think I did, no.

Q. If you, meaning The Hunter Group, had been on the scene 18 months earlier, say in December of 1996, do you believe that you could have implemented a turnaround plan and avoided bankruptcy?

MR. TERUYA: Objection.

A. Yes, I believe we could have, yes.

Q. And what do you base that belief on?

A. I don't know that I could tie it to specifics, other than my understanding of the organization and the expense reductions that we felt we could make when we put that 30,000-foot plan together. It would have required some

DANIEL L. STICKLER

difficult decisions to be made, but I believe it could have been done.

Q. Is your belief also based in part on your experience in the hospital field?

A. Oh, obviously, yes.

Q. And is your belief based in part on other experience that you have had with other turnarounds?

A. Yes.

Q. And is your belief based in part on what experience that The Hunter Group, not just you, has had in other hospital turnarounds?

A. I guess to some extent.

MR. WITTEN: Let's go off the record for a minute and I will see if I have any more questions.

THE VIDEOGRAPHER: We will go off the record. It is 11:44. And this is tape 5.

(A recess was taken.)

THE VIDEOGRAPHER: Back on the record. It is 11:48, and this is tape 5.

BY MR. WITTEN:

Q. Mr. Stickler, I don't have the Tenet asset purchase agreement here, but I notice

DANIEL L. STICKLER

there's a provision in that asset purchase agreement relating to the fact that some of the monies, some of the purchase price, is going to be used to purchase malpractice insurance tails for the hospitals or the physicians. I don't, frankly, recall which. Do you remember anything about the discussion about the purchase of medical malpractice insurance tails?

A. I recall that the absence of any malpractice coverage was considered by Tenet to be an obstacle to their acquisition, because they were concerned that liability from previous cases may end up accruing to them in the absence of any insurance, and there would not have been any insurance or any way to buy insurance had that not been done.

Q. Was there an absence of insurance covering the AHERF eastern region or some of its assets?

A. My recollection is that there was an offshore insurance company, that there was a question about there being enough assets to cover potential liabilities, and that's one of the reasons why this tail purchase was considered to

DANIEL L. STICKLER

be necessary.

Q. This offshore is a subsidiary of AHERF, the parent?

A. That's my understanding, yes.

Q. Did AHERF go out and purchase its own insurance policies, or did that sub purchase reinsurance?

A. I couldn't answer that question for you.

MR. WITTEN: I don't have any other questions.

MR. TERUYA: I don't know what you folks want to do in terms of scheduling. I probably have about maybe 45 minutes or so to an hour of followup. I don't know if you want to take a quick lunch and come back. It's up to you.

THE WITNESS: Let's do it and get it over.

EXAMINATION BY MR. TERUYA:

Q. Earlier this morning you were talking about your experiences at Cedars Medical Center. Do you recall that?

A. Yes.

DANIEL L. STICKLER

Q. That's located down in Florida?

A. Miami, Florida.

Q. And did you previously mention that one of the steps you take -- on day one of your deposition did you mention that one of the steps that you would take in trying to come up with a turnaround plan and to judge its feasibility would be to study the market conditions in which a hospital operates, if you were going to try to turn around a hospital?

A. That would be one of the steps, yes.

Q. And I take it you have never performed any comparison of the market conditions in Florida as they existed while you were in charge of Cedars Medical Center and the market conditions in Philadelphia at the time you were there --

A. We never did a comparison of that, no.

Q. And as you mentioned before, you didn't perform any study of the market conditions in Philadelphia because you didn't have time?

A. That's right. There were reports of a market analysis that had been done by AHERF

DANIEL L. STICKLER

that we did review.

Q. But you didn't have a chance to judge whether those were accurate in your view?

A. No.

Q. And you didn't have a chance to use those in formulating a turnaround plan based on them?

A. No. But in most instances, a turnaround plan will -- about market analysis and increased market share -- will in most instances be less than 10 percent of the first three years' turnaround expenses or where you are going to have to do it.

Q. In terms of revenue enhancement or performance improvement in terms of revenue, would that be something, a part of a turnaround plan, that would depend upon an analysis of market conditions, at least in part?

A. Well, as I said, you know, you refer to revenue enhancement. Revenue enhancement involves a much greater piece than just getting more market share. It involves your registration process and your coding process and your billing process, et cetera. And those clearly would

DANIEL L. STICKLER

be -- and those can produce more of a short-term effect in a turnaround than the increased market share can.

Q. Would part of what you view as creating a turnaround plan for a hospital include coming up with a business strategy for that hospital going forward?

A. Yes.

Q. And would that include such things as whether to acquire or divest hospitals in the area of a hospital?

A. The long-term business strategy plan would have to include those, yes.

Q. And in formulating a long-term business plan like that, would that involve a study of the market in which a hospital operated, among other things?

A. Yes, as I said previously, it would, yes.

Q. And you never had the chance to perform any kinds of studies like that in Philadelphia because there was no time?

A. We did not. As I indicated, we reviewed the work that had been done. If you

DANIEL L. STICKLER

look at the, what was it, list of 87 items, or whatever it was, that was in one of those exhibits, you will notice that there were recommendations to close two hospitals that were part of that, those recommendations. Those were based on current occupancy levels and on the market analysis that had been done by AHERF.

Q. Is your focus in formulating a turnaround plan, at least for the short run, on cost cutting rather than revenue enhancement?

A. Usually about 90 percent of what you can accomplish in a turnaround plan in the first three years is on the cost side, and about 10 percent would be on the revenue side.

Q. And, correspondingly, then, most of the recommendations that you would come up with in formulating a turnaround plan would relate to cost cutting?

A. Yes, sir.

Q. Could you remind me what years you were at Cedars Medical Center?

A. '96 to '91 -- I mean '86 to '91.

Q. Do you recall our discussion on the first day of your deposition about the Balanced

DANIEL L. STICKLER

Budget Act of 1997?

A. Yes.

Q. And you said you did recall that that event was situated in time in 1997, the enactment of the Balanced Budget Act?

A. I recalled it after you mentioned it was the Budget Act of '97, yes.

Q. So you don't have any independent recollection of the year of the enactment of the Balanced Budget Act?

A. No. No, I do not.

Q. Do you recall whether there were any legislative enactments that affected revenues at Cedars Medical Center at the time you were there?

A. I don't recall, no.

Q. Were there any particular market conditions that you were focused upon during your time at Cedars Medical Center?

A. Well, the particular market conditions, I guess, that was a very highly HMO penetrated market, with two very powerful HMOs, and developing a strategy for dealing with them was very high on our list. And attracting some of the physicians into this, I indicated we

DANIEL L. STICKLER

remodeled the old hospital into office buildings, into an office building, and got some physicians to move into that, and that was on the revenue side.

I think those represent our major strategies. Plus the university affiliation.

Q. Was developing an integrated delivery system one of the steps you took to contend with an HMO?

A. No.

Q. You said that, or you mentioned a couple of steps you took to deal with a high level of HMO penetration. Were there any other steps that you took at the time you were at Cedars Medical Center to deal with that?

A. Well, we did -- we invested a fair amount of time and effort in analyzing our cost structure as it related to our contracts with them, and our performance under those contracts, and in negotiations with them, yes.

Q. Do you recall what years you implemented your turnaround strategy during?

A. Well, we started right after I got there, and we were still working on it, I

DANIEL L. STICKLER

guess -- well, not really still working on it five years later, but probably the first three or four years I was there.

Q. And did you take any steps while you were there to work on revenue enhancement of Cedars Medical Center, as opposed to cost cutting?

A. We just discussed that, didn't we? The HMOs, moving the physicians into the office building, and the university affiliation.

Q. Anything other than that?

A. No, not that I recall.

Q. And by the university affiliation, you mean the fact of being affiliated with the University of Pittsburgh?

A. No, you're talking about in Miami, correct?

Q. I'm sorry. Which university is that?

A. University of Miami School of Medicine. And through that affiliation we moved the department of orthopedics, the department of urology and the department of dermatology out of Jackson Memorial Hospital into our hospital and enhanced the number of patients very

DANIEL L. STICKLER

significantly, and the revenue very significantly.

Q. So did the affiliation with the university increase the number of patients who were referred to Presbyterian?

A. Yes. To Cedars Medical Center?

Q. I'm sorry, Cedars Medical Center. I apologize.

A. Yes, by almost 90 patients per day occupancy level.

Q. And were there any other benefits of affiliation with the university to Cedars Medical Center?

A. Well, most of us believe that it carries a banner of quality in the community to be affiliated with a university teaching hospital.

Q. Switching topics, you talked this morning about your engagement or your work on an engagement for the University of Pennsylvania.

A. Yes.

Q. And you talked about the list of proposals or recommendations that The Hunter Group submitted to the University of

DANIEL L. STICKLER

Pennsylvania?

A. Yes.

Q. And you said that you thought The Hunter Group could have prepared such a list for AHERF; is that right?

A. Yes, I believe we could have.

Q. And I take it what -- or let me ask you, what stopped you from preparing such a list?

A. We had a team of 18 to 20 people on the ground at the Hospital of the University of Pennsylvania for three and a half, almost four months. We didn't have time to do that at AHERF.

Q. I mean, you can't say for sure, sitting here now, what you either would or wouldn't have come up with with respect to AHERF; right?

A. Obviously not. But I was asked the question did we believe we could, and we said yes -- I said yes.

Q. So you believed you could but you don't know because you never had the chance to actually try to come up with a list for AHERF; is that right?

A. We came up with a 30,000-foot level

Page 388

DANIEL L. STICKLER
list that we believed could get us through the time period of which we could create positive cash flow. We did come up with that, yes.
Q. But you don't know whether --
A. But we didn't get the financing to be able to carry it out.
Q. And because you never had reason to do so, you don't know if you, in fact, could have come up with a list for AHERF that's the same as for the University of Pennsylvania?
A. I don't know if the sun will come up tomorrow or not since I haven't seen it.
Q. So you don't know. Good. I take it that's a yes?
A. I'm sorry. You have asked that question about three times. It's beginning to annoy me.
Q. I just wanted to make sure I understood correctly, you didn't have a chance --
A. We don't know whether anything would have worked that we haven't actually done, do we?
Q. Okay.
A. Thank you.

Page 389

DANIEL L. STICKLER
Q. Do you know when the University of Pennsylvania engagement was, what year?
A. I don't remember the specific dates.
Q. Was it after AHERF?
A. It was after AHERF, yes.
Q. Do you recall approximately how long after?
A. Probably a year and a half or two years would be my guess at this point.
Q. Let me ask you, which hospitals did you study at the University of Pennsylvania during the course of your personal involvement in that engagement, like which hospitals of the University of Pennsylvania?
A. The Hospital of the University of Pennsylvania, Pennsylvania Hospital, Phoenixville Hospital and Presbyterian Hospital.
Q. And do you know whether both of those hospitals are highly regarded in terms of how they are ranked in health care publications?
A. Both of those, you mean?
Q. I'm sorry, the Pennsylvania Hospital and the Hospital of the University of Pennsylvania.

Page 390

DANIEL L. STICKLER
A. Oh, I think the Hospital of the University of Pennsylvania is very highly regarded in the country. I don't know if Pennsylvania Hospital still is.
Q. Is Pennsylvania Hospital one of the -- is that the first hospital in the United States?
A. That's my understanding, yes.
Q. And do you know if the Hospital of the University of Pennsylvania was more highly regarded than any of AHERF's hospitals?
A. I think it probably was, at least in my mind it was.
Q. Did you ever see, during the course of your work at The Hunter Group, or did you ever have the occasion to look at any rankings by U.S. News and World Report of hospitals?
A. I don't pay attention to those.
Q. How about Modern Health Care?
A. I don't pay attention to those.
Q. Have you ever heard that the Hospital at the University of Pennsylvania was consistently ranked among the top hospitals in the United States?

Page 391

DANIEL L. STICKLER
A. Yes, I have, yes.
Q. And is that also consistent with your own views about that hospital?
A. Yes.
Q. Do you have any views as to the reputation of the University of Pennsylvania itself, the school?
A. Oh, my understanding is it's an extremely highly regarded university.
Q. In your view, how would you compare the reputation of the University of Pennsylvania to Allegheny University of the Health and Sciences?
A. I'm not sure you could compare them. It would be the opposite ends of an extreme.
MR. D'ANGEL: It sounds like a comparison.
Q. Just to state what I think is the obvious, but just for clarity in the record, University of Pennsylvania is at the high regard end of the spectrum and Allegheny University is at the low end of the spectrum?
A. Yes, sir.
Q. In terms of how they are regarded?

Page 392

DANIEL L. STICKLER

A. That's my impression, yes.

Q. And is your impression based upon your work at both of those universities, in part?

A. I'm not sure what-all it's based on. On my life's information, I guess.

Q. And your work in the health care field?

A. Yes. Well, in both instances they were more than -- or at least the University of Pennsylvania is far more than a health sciences university. It's extremely highly regarded than a lot of professional schools.

Q. While you were working at the engagement at the University of Pennsylvania, did you have any occasion to learn about the amount of funding that the University of Pennsylvania had available to it?

A. Well, at one point I saw the endowment number of the university, if that's what you are referring to. I don't remember what it was. And the Health Sciences Division of the university was the financial statements that we focused on. We didn't focus on the School of Business or the Engineering School or any of the

Page 393

DANIEL L. STICKLER

others.

Q. In terms of funding that was available for, you said, the health sciences area --

A. Yes.

Q. Do you recall whether that was a large amount, in your view, or a significant amount?

A. When you say available, I guess that's a question that is not really clear. What do you mean by that?

Q. I mean available in terms of when you were trying to get a sense of where the University Hospital stood and what funding was available to them to fund --

A. Do you mean the revenue generated by them, or the revenue -- I'm not sure I understand the question.

Q. I guess what I'm trying to get at, and maybe I'm not using the right terminology, is just to try to understand, in terms of the hospitals at the University of Pennsylvania that you studied, did you have any occasion to learn about the amount of funds that were available to

Page 394

DANIEL L. STICKLER

support any programs that you at The Hunter Group wanted to implement that were available, say, for example, from endowments or parts of endowments?

A. We had access to the total financial information of the health sciences arena.

Q. And did you have any view as to the amount of funding that was available to the health sciences arena? Was there a lot of money available or not?

A. Well, it was a very large financial revenue and expense in both instances. When you say available, they were losing money, so technically they weren't generating anything to make available for anything at that point in time. They were losing money.

Q. So the hospitals themselves were losing money?

A. Yes.

Q. What sources of money were available to support the hospitals is what I'm trying to understand, if any.

A. Well, my assumption is that since they were all part of the university, that when the hospitals lost money they came out of some

Page 395

DANIEL L. STICKLER

other -- out of the main body of the university. Now, whether it came out of profits generated by the schools or endowment, in common endowment principle, I'm not a lawyer.

Q. Would The Hunter Group, even if not yourself on that engagement, have studied where the support funding, if any, to the hospitals came from?

A. That wasn't part of the issue. The issue was can we get these organizations back on a self-sustaining basis. Nobody wanted to subsidize them from anyplace, and the challenge was to get them back to where they were self-sustaining.

Q. So The Hunter Group wouldn't have had reason to study any amount of subsidies?

A. We had no interest in that at all.

Q. Did you study the market conditions in Philadelphia at the time that you were engaged by the University of Pennsylvania?

A. Our team did, yes, sir.

Q. Were you personally involved in that study?

A. Not in the study of the market

DANIEL L. STICKLER

conditions, no.

Q. What was your role on that engagement?

A. I was engagement director for it.

Q. So just to compare the two engagements, who held the engagement director role in the AHERF engagement? Was that David Hunter?

A. Well, I noticed one of the pieces of paper said he did. I thought I did. So I'm not sure. I think I was on-the-ground engagement director on a daily basis, yes, with AHERF. And I was definitely at the University of Pennsylvania engagement.

Q. At the ground level?

A. Yes. I was there full-time on both jobs. I was interim management at AHERF. I was not interim management at the Hospital of the University of Pennsylvania. It was strictly a consulting team, putting together that turnaround team that management implemented.

Q. Did you have any occasion while you were working on the University of Pennsylvania engagement to speak with any outside entities

DANIEL L. STICKLER

about any parts of the engagement? So, for example, the community, to gauge what kind of support there was for the University of Pennsylvania? Or were you just strictly dealing with the management of the University of Pennsylvania hospitals?

A. We were not dealing with the university beyond the health sciences piece. We were only dealing with the hospital piece. Members of the team interviewed health insurance companies, Blue Cross, the HMOs in town, some people like that, as part of the market review.

Q. Did you have, or did you hear what kind of relationship the University of Pennsylvania had with the HMOs that were in town, or the University of Pennsylvania hospitals had?

A. My perception is that at least some members of the management staff at the Hospital of the University of Pennsylvania believed that the insurance companies, third-party payers, were not paying them as much as they should, and the third-party payers thought they were paying them as much as they should, which is not a surprise. We find that in most places.

DANIEL L. STICKLER

Q. Do you recall how that was resolved ultimately?

A. It was resolved with an increased internal understanding that there may be some opportunity for improvement, but the real source of their problem was not being underpaid. At least that was our resolution of it.

Q. What did you determine was the source of their problem, the hospital's problem?

A. The management and cost control structure.

Q. We talked about the Hospital at the University of Pennsylvania. Did you form any view as to the other hospitals that were owned by the University of Pennsylvania in comparison to the AHERF hospitals in terms --

A. We had no reason -- I mean, by then AHERF was history. We had no reason to be interested in that.

Q. Had you at The Hunter Group taken away from the AHERF engagement any insights or experiences that were of use to you in dealing with the University of Pennsylvania engagement?

A. Oh, I guess you learned a little bit

DANIEL L. STICKLER

of something every place you go, when you move from academic medical center to academic medical center. I don't recall any specific things. They were very different in a lot of ways, in most ways.

Q. Could you tell me what some of the more significant differences were that you perceived at the time?

A. Well, one of them was going bankrupt and the other one wasn't. That was the biggest difference. One was behind in their payables, and the vendors weren't paying them; the other one wasn't.

There was some -- we felt, or at least I feel there was a greater opportunity for cost reduction in AHERF than there was at HUP, although there was opportunity for cost reduction at both places.

That's all I can think of right now.

Q. So you said that you thought there was more cost reduction opportunities at which hospital?

A. AHERF.

Q. At AHERF?

DANIEL L. STICKLER

contract that I thought he would be embarrassed or had difficulty enforcing, then I would put the monkey on his back and let him decide to try to cause us to continue paying him.

Q. Did you at that point in time go back and look at records of who this person was and why he had been paid previously?

A. Well, I asked enough questions to find out that he had been the chairman of the department of cardiovascular surgery, and that he had left, and that Sherif had made a deal with him to get him to go, and that was all I needed to know.

Q. So all you knew is that he wasn't there anymore but he was still being paid and so you thought that that was something that the institution didn't need at the time?

A. Very much so.

Q. And I know you were asked a number of questions about what you thought you could have done in 1996 or at some earlier point in time than when you were there in 1998, and let me just ask a couple of followup questions on that. I take it you had no occasion to perform any study

DANIEL L. STICKLER

of the market in 1996, '97 or '98 in the Philadelphia region.

A. You trouble me by continuing to come back to that question, because the implication seems to be, therefore, we didn't have confidence in our ability to turn the place around, and that's not the conclusion. As I indicated previously, that less than 10 percent of any turnaround plan is going to be on the revenue side within the first three years. And so that was not an impediment to our ability to turn the organization around had we had enough time and money to do it.

Q. I guess what I'm trying to get at is -- I mean, it's a hypothetical question, and you just don't know because you didn't actually do it, what you would or wouldn't have done in 1996 or '97, but that's all I'm asking.

A. And my answer was we believed, if we had had enough time and money to implement a turnaround plan, that we could have done it and saved it from going into bankruptcy.

Q. But, like you said, you don't know because you never, of course, got the chance

DANIEL L. STICKLER

to --

A. You are trying to manipulate my words and I'm not going to let you do it. I'm going to answer the question just the way I answered it.

Q. Let me ask, the only plan you got to implement and test out and see how it worked was in 1998; isn't that right?

MR. WITTEN: Objection.

A. The plan we implemented was to shut down and a turn-over plan, which was not the turnaround plan that we had proposed.

Q. And that's the only plan that you implemented and know how it turned out, and that's reflected in Exhibit --

A. I feel like you're badgering me again, and I'm getting annoyed with it again.

MR. D'ANGEL: I keep hearing the same question and the same answer.

A. It's self-evident that if I haven't picked up those glasses I don't know whether I can pick them up or not. I don't need to tell you that five times.

Q. I apologize. I just need to get it on the record. I mean, I know it's self-evident,

DANIEL L. STICKLER

but I just need to have it as testimony rather than me just saying that it's self-evident. So I apologize if it seems like I'm asking an obvious question.

A. And you are asking an obvious question the 14th and 15th time.

Q. I just want to make sure that as to the particular questions you were just asked on cross, that I ask you the right followup. I know I asked questions on my first day of deposition, on the first day of your deposition, so I will just ask you one last time, you didn't actually have the chance to perform any plan or to implement any plan other than the one you actually did, so, of course, as you say, it's self-evident that you don't know how things would have actually turned out?

MR. WITTEN: Objection.

A. I don't know if I can pick up those glasses unless I get a chance to reach down and pick them up. That's my answer.

MR. TERUYA: Let me just take a quick break, off the record. I'm just going to look over my notes.

DANIEL L. STICKLER

THE VIDEOGRAPHER: We are going off the record. It's 1:03. This is tape 5.

(Discussion off the record.)

THE VIDEOGRAPHER: Back on the record. It's 1:04, tape 5.

MR. TERUYA: I have no further questions on redirect.

MR. WITTEN: Thank you. I just have a handful of questions. It shouldn't take very long.

EXAMINATION BY MR. WITTEN:

Q. Mr. Teruya elicited testimony from you comparing and contrasting the AHERF system from the University of Pennsylvania system.

A. Yes.

Q. You recall that?

A. Yes.

Q. And you testified that the Allegheny University of the Health Sciences is not as prestigious a university as the University of Pennsylvania Medical School; is that right?

A. That's correct.

Q. And was it also your testimony that the hospitals that make up AHERF were not as

DANIEL L. STICKLER

prestigious as the Hospital of the University of Pennsylvania and Pennsylvania Hospital?

A. That's correct.

Q. Even taking into account the reputation -- excuse me, let me start that over.

Taking into account your understanding of the reputation of AHERF, lower generally than the University of Pennsylvania system, does that alter your view about whether a turnaround was achievable for AHERF?

MR. TERUYA: Objection.

A. No.

Q. Turning to the 30,000-foot plan that we have referenced this day and the last day, I believe I know the answer but I want to make sure the record is clear on this, of all the exhibits that you looked at, that I have shown you and Mr. Teruya has shown you, is it right that you did not recognize any of the documents or any part of the documents that you looked at, that we drew your attention to, as memorializing that 30,000-foot plan?

A. I did not recognize them as a specific document that I had seen before. As to

DANIEL L. STICKLER

whether the contents of that document is exactly what we put together back then, I couldn't testify.

Q. And is that in part because of the passage of time?

A. Yes, mainly because of the passage of time.

MR. WITTEN: I don't have any other questions.

MR. TERUYA: I don't have any other questions. Thank you for your time.

THE VIDEOGRAPHER: We will go off the record. The time is 1:06. And this is the end of Tape No. 5.

(Time noted: 1:06 p.m.)

____

DANIEL L. STICKLER

Subscribed and sworn to before me this _____ day of _________, 2003.

____

DANIEL L. STICKLER

STATE OF NEW YORK)
ss:
COUNTY OF NEW YORK)

I wish to make the following changes, for the following reasons:

PAGE LINE ____ ____
CHANGE FROM: ________________
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DANIEL L. STICKLER

Subscribed and sworn to before me this _____ day of ________, 2003.

TAB 2

#3735

DEBTOR: A.H.E.R.
CASE #: 98-25773 through 98-25777

MONTHLY OPERATING REPORT

ACCRUAL BASIS-1

OFFICE OF THE UNITED STATES TRUSTEE - REGION 3 OFFICE OF THE UNITED STATES TRUSTEE - REGION 3
MONTHLY OPERATING REPORT
for the month ending: November 30, 1998

Required Attachments:		Document Attached	Previously Submitted	Explanation Attached
1.	Tax Receipts	( )	(X)	( )
2.	Bank Statements	(X)	( )	( )
3.	Most recently filed Income Tax Return	( )	(X)	( )
4.	Most recent Annual Financial Statements prepared by Accountant	()	(X)	( )

In accordance with title 28, section 1746, of the United States Code, I declare under penalty of perjury that I have examined the following Monthly Operating Report (Cash Basis – 1 through Cash Basis – 9) and the accompanying attachments and, that to the best of my knowledge, these documents are true, correct and complete. Declaration of the preparer (other than responsible party) is based on all information of which preparer has any knowledge. SEE ATTACHED MEMO ON PREPARATION OF ATTACHED SCHEDULES.

RESPONSIBLE PARTY:

Charles P Morrison
Signature of Responsible Party

SVP Chief Administrative Officer, AHERF
Title

CHARLES P MORRISON
Printed Name of Responsible Party

3-24-99
Date

PREPARER:

Signature of Preparer Party

Title

Printed Name of Preparer Party

Date

EXHIBIT
2746
JD 6/29/04

MEMO

To: Mr. Greg King US Trustees Office
From: Charles P. Morrison CPM
Subject: Preparation of the Attached Schedules
Date: March 23, 1999

The attached financial statements and operating report were prepared using available source documentation. In certain instances data was not available due to transitions in information systems and or changes in processes. Where the usual source data was not available we have incorporated estimates into the financial statements. As additional information becomes available the financial statements will be adjusted. Adjustments are also likely as a result of refinements in the allocation of the purchase price of the operations sold to Tenet. Additonally, analysis of intercompany allocations is in process. These analyses may result in adjustments to the balances reported in these financial statements.

The attached Schedules were prepared and compiled by various individuals on behalf of the debtors. Accordingly, no single individual can be identified as the "preparer".

/data/wp/novtrust.wpd

DEBTOR: A.H.E.R

CASE #: 98-25773 through 98-25777

MONTHLY OPERATING REPORT

All Chapter 11 debtors must file this report with the Court and serve a copy on the United States Trustee no later than the 15th day of the month following the end of the month covered by the report.

ACCRUAL BASIS - 2

[illegible]		[illegible]	[illegible]	[illegible]
1.	Cash – Beginning of Month			
RECEIPTS				
2.	Cash Sales			
3.	Accounts Receivable Collection			
4.	Loans & Advances			
5.	Sales of Assets			
6.	Lease & Rental Income			
7.	Wages			
8.	Other (Attach List)			
9.	Total Receipts (Total Lines 2 through 8)			
DISBURSEMENTS				
10.	Net Payroll			
11.	Payroll Taxes			
12.	Sales, Use & Other Taxes Paid			
13.	Inventory Purchases			
14.	Mortgage Payments			
15.	Other Secured Note Payments			
16.	Rental & Lease Payments			
17.	Utilities			
18.	Insurance			
19.	Vehicle Expenses			
20.	Travel			
21.	Entertainment			
22.	Repairs & Maintenance			
23.	Supplies			
24.	Advertising			
25.	Household Expenses			
26.	Charitable Contributions			
27.	Gifts			
28.	Other (Attach List)			
29.	Total (Lines 10 through 28)			
REORGANIZATION EXPENSES				
30.	Professional Fees			
31.	U.S. Trustee Fees			
32.	Other (Attach List)			
33.	Total (Lines 30 through 32)			
34.	Total Disbursements (Line 29 + Line 33)			
35.	Net Cash Flow (Line 9 – Line 34)			
36.	Cash – End of Month (Line 1 + Line 35)			

****PLEASE REFER TO ATTACHED FINANCIAL STATEMENTS. Due to the departure of a significant number of the financial accounting staff, a number of analyses and reconciliations normally completed in support of the financial statements have not been finalized. The attached draft financial statements are subject to adjustment upon the completion of these analyses.***

DEBTOR: A.H.E.R.I
CASE #: 98-25773 through 98-25777

.ONTHLY OPERATING REPORT

ACCRUAL BASIS - 3

Cash Disbursements Detail
(Attach Additional Sheets If Necessary)

[illegible]				
	Date	**Payee**	**Purpose**	**Amount**
1.				
2.				
3.				
4.				
5.				
Total Cash Disbursements				

*****PLEASE REFER TO ATTACHED FINANCIAL STATEMENTS.***

Bank Account Details
(Attach Additional Sheets if Necessary)

Bank Account Disbursements				
Check Number	Date	Payee	Purpose	Amount
1.				
2.				
3.				
4.				
5.				
Total Bank Account Disbursements				

*****PLEASE SEE ATTACHED BANK STATEMENTS.***

TOTAL DISBURSEMENT FOR THE MONTH	

*****PLEASE REFER TO ATTACHED FINANCIAL STATEMENTS.***

DEBTOR: A.H.E.R.F
CASE #: 98-25773 through 98-25777

..JNTHLY OPERATING REPORT

ACCRUAL BASIS – 4

Month: November 1998

[illegible]

Accounts Receivable – Trade	
Total Accounts Receivable at the Beginning of the Period	
+ Amounts Billed During the Period	
- Amounts Collected During the Period	
Total Accounts Receivable at the End of the Period	

****PLEASE REFER TO ATTACHED FINANCIAL STATEMENTS.*

[illegible]

Accounts Receivable Aging	
0—30 days old	
31-- 60 days old	
61-- 90 days old	
91 + days old	
TOTAL ACCOUNTS RECEIVABLE	
AMOUNT CONSIDERED UNCOLLECTIBLE	
ACCOUNTS RECEIVABLE (NET)	

****PLEASE REFER TO ATTACHED FINANCIAL STATEMENTS AND REPORTS SUMMARIZING GROSS AND NET A/R BY ENTITY AS OF 11/10/98 and 2/28/99. Due to the cut-off of certain systems after the sale to Tenet on 11/10, aging reports are incomplete.*

Amounts Due from Affiliates & Insiders (itemize)	
S. Abdchak	$1.516.170.97
D. McConnell	449.437.75
N. Wynstra	528,691.12
Total	**$2,494.299.84**

****Demand has been made for the recovery of amounts paid under a KESOP plan to certain AHERF executives. Recovery of taxes and payments to the above individuals is in progress. Litigation may be required to recover amounts owed and in dispute.*

Inventory	
Beginning Inventory	
Plus Purchases	
Minus Ending Inventory	
Cost of Goods Sold	

****PLEASE REFER TO ATTACHED FINANCIAL STATEMENTS.*

DEBTOR: A.H.E.R.I
CASE #: 98-25773 through 98-25777

MONTHLY OPERATING REPORT

ACCRUAL BASIS – 5

Unpaid Postpetition Payable (by Aging)	Amount
Post-petition Loans	**
Reorganization Expenses	
Professional Fees	
U.S. Trustees' Quarterly Fees PD IN DECEMBER	30,000
Court Fees	
Trade Debt	***
Other (attach list) (Report tax obligations in next section only)	

AGING	0-30 DAYS	31-60 DAYS	61-90 DAYS	91+ DAYS	TOTAL
Payables					

***DIP financing was paid-off with proceeds of the November 10, 1998 sales transaction with Tenet. Please refer to attached loan ledger report from Foothill Capital Corporation.*
****PLEASE SEE ATTACHED AGING REPORT.*

Status of Postpetition Taxes	Beginning Tax Liability	Amount Withheld or Accrued	Amount Paid	Ending Tax Liability	Delinquent Taxes
Federal					
Withholding***					
FICA-Employee***					
FICA-Employer***					
Unemployment					
Income					
Other (Attach List)					
Total Federal Taxes					
State and Local					
Withholding					
Sales					
Excise					
Unemployment					
Real Property					
Personal Property					
Other (Attach List)					
Total State and Local					
Total Taxes					

***The beginning tax liability should represent the liability from the prior month, or if this is the first operating report, the amount should be zero.
***Attach photocopies of IRS Form 6123 or your FTD coupon and payment receipt to verify payment or deposit.

****TAX DOCUMENTATION ON FILE. PLEASE SEE NOTICE ATTACHED TO AUGUST MONTH-END FILING.*